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C O N F I D E N T I A L KUWAIT 001468

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STATE FOR NEA/FO
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TAGS: [EAID](#) [PREL](#) [KU](#) [IZ](#)

SUBJECT: ARAB FUND MEETING APRIL 22-23: REQUEST FOR URGENT
DEMARCHE

Classified By: Ambassador Richard H. Jones for reason 1.5 (D).

1.(U) This is an action request -- see paragraph 5.

2. (C) At an April 16 meeting with Ambassadors Raphel and Carney of the Office of Reconstruction and Humanitarian Assistance (ORHA), Abdullatif Al-Hamad, Director General of the Arab Fund for Economic and Social Development (AFESD) pointed out that Iraq's membership in the Fund had been suspended since 1992, on the basis of some KD 15 million (approximately USD 50 million) of arrears Iraq owes to AFESD. Each year, the Board of Governors meets to review AFESD operations, and each year since 1992 a resolution is adopted to continue its suspension (under current rules the only other option is to remove Iraq from the Fund). Al-Hamad explained that he, as Director General, cannot legally reengage Iraq to work out a plan to address its arrears problem and consider providing any lending or grants for any reconstruction in Iraq until the Board of Governors (comprising the Finance Ministers of Arab League states) approves such an approach.

3.(C) Al-Hamad then noted that the next Board of Governors meeting was scheduled for April 22-23 in Abu Dhabi, and that the Board only meets once a year. If the Governors do not approve AFESD involvement in Iraq next week, he said, it will be a full year before they can revisit the decision (as the AFESD charter apparently has no mechanisms for extraordinary Board of Governors meetings).

4.(U) Other topics discussed during the meeting are reported septel.

5.(C) Action Request: Given the potential importance of AFESD involvement over the next 12 months in Iraq's reconstruction, Embassy Kuwait and ORHA suggest the following points be delivered ASAP in Arab League capitals:

-- The Board of Governors of the Arab Fund for Economic and Social Development will meet April 22-23 in Abu Dhabi.

-- We understand that one agenda item will be whether to renew Iraq's suspension from the organization for non-payment of arrears, or to dismiss it from the organization altogether.

-- We believe the Arab Fund can and should play an important role in the reconstruction of Iraq.

-- We strongly encourage you to introduce and/or approve a Board of Governors resolution to authorize the Directors of the Arab Fund to engage with Iraq on a plan to address its arrears to the Fund and to resume grant and lending operations with Iraq.

JONES